

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
Commissioner

In the Matter of the 2002 Annual Automatic
Adjustment of Charges for All Gas and Electric
Utilities

ISSUE DATE: August 7, 2003

DOCKET NO. G,E-999/AA-02-950

ORDER ACTING ON GAS AND ELECTRIC
UTILITIES' 2002 ANNUAL AUTOMATIC
ADJUSTMENT REPORTS AND SETTING
FURTHER REQUIREMENTS

PROCEDURAL HISTORY

I. Introduction

Under Minn. Rules 7825.2390 through 7825.2920, rate-regulated gas and electric utilities may adjust their rates between general rate cases to reflect fluctuations in the prices they pay for gas or electricity purchased for delivery to ratepayers, or for fuel purchased to generate electricity for ratepayers. These adjustments are called automatic adjustments, since they normally take effect without prior Commission approval.

The rules require utilities to make detailed filings supporting each automatic adjustment. They also require utilities to make comprehensive annual filings reporting on all automatic adjustments made during the twelve-month period between July 1 of the previous year and June 30 of the reporting year.

At its meeting of July 24, 2003, the Commission took up the annual reports filed by all rate-regulated gas and electric utilities for the 2001-2002 reporting year.

II. The Parties

The electric utilities listed below were required to file, and did file, annual automatic adjustment reports for the 2001-2002 reporting year.

- Dakota Electric Association
- Interstate Power and Light Company – Electric Utility

- Minnesota Power Company
- Otter Tail Power Company
- Northern States Power Company d/b/a Xcel Energy - Electric Utility

The natural gas utilities listed below were required to file, and did file, annual automatic adjustment reports for the 2001-2002 reporting year.

- Great Plains Natural Gas Company
- Interstate Power and Light Company – Gas Utility
- Aquila Networks – PNG, a division of Aquila, Inc.
- Aquila Networks – NMU, a division of Aquila, Inc.
- CenterPoint Energy Minnegasco
- Northern States Power Company d/b/a Xcel Energy – Gas Utility

The Department of Commerce (the Department) examined the companies' filings in detail and filed both company-specific and broad-based policy comments and recommendations. Several companies revised or supplemented their filings based on the Department's comments, and the Department revised and supplemented its recommendations based on the companies' supplemental filings. There were no contested issues by the time the filings came before the Commission.

FINDINGS AND CONCLUSIONS

I. The Filing Requirements

The automatic adjustment rules require that each annual report include at least the information set forth below.

Minn. Rules 7825.2800

- the utility's procurement policies;
- a summary of actions taken to minimize costs, including conservation actions.

Minn. Rules 7825.2810

- detailed information on all automatic adjustments made during each month of the reporting year for each customer class;
- total cost of fuel, or total cost of gas delivered to customers, during the reporting year;
- total revenues collected from customers for energy delivered;
- detailed information on all billing adjustments, supplier refunds, and any refunds credited to customers;
- a list of all Purchased Gas Adjustment rule variances requested or in effect during

- the reporting year, together with an explanation of why they were necessary;
- a list of changes in contract demand which occurred during the reporting year and the reasons for those changes;
- disclosure of the levels of customer-owned gas volumes delivered through the utility's distribution system under retail transportation tariffs during the reporting year;
- an explanation of deviations between gas cost recovery and actual gas costs during the reporting year.

Minn. Rules 7825.2820

- an independent auditor's report evaluating the utility's accounting for automatic adjustments for the reporting year.

Minn. Rules 7825.2830

- for electric utilities, a five-year projection of fuel costs by energy source;
- for gas utilities, a brief statement of the utility's opinion on the impact of market forces on gas costs for the coming year.

Minn. Rules 7825.2700, subp. 7 and 7825.2910, subp. 4

- a plan to true-up, over the course of the next twelve months, discrepancies between gas costs actually incurred for each customer class and revenues collected from each customer class.

II. Action on the Electric Utilities' Filings

A. Filings Accepted

The Department reported that all utilities, at least by the time of their final filings, had complied with the procedural and substantive requirements of the purchased gas adjustment statute and rules, as well as previous Commission Orders addressing automatic adjustment issues. The Department recommended accepting and approving the annual reports and the compliance filings accompanying them. The Commission concurs in the Department's findings and accepts and approves the reports and the associated compliance filings.

B. Interstate to Further Examine Potential Benefit of Forecasted Fuel Clause

In its Order acting on the electric utilities' 1999-2000 automatic adjustment reports, the Commission required all electric utilities using historical fuel clause adjustments to explore the

possibility of substituting forecasted fuel clause adjustments,¹ which Xcel was using with considerable success. (For Xcel, the forecasted fuel clause adjustment generally produced a closer match between rates and actual costs and gave consumers more accurate price signals.) All companies duly examined the potential benefits of using forecasted adjustments, and all concluded that their historical adjustments would produce more accurate results.

The Department concurred with the utilities, but also concluded that one utility, Interstate Light and Power Company, was approaching the point at which forecasted adjustments would be more accurate. The Department therefore recommended that Interstate continue refining its forecasting techniques and include in its next annual automatic adjustment report an analysis of whether it would be advantageous to implement a forecasted adjustment for the coming year. Interstate agreed, and the Commission will so order.

III. Action on the Gas Utilities' Filings

A. Action on Two Companies' Filings Deferred; Remainder Accepted and Approved

The Department examined the gas utilities' annual automatic adjustment reports and their true-up proposals in detail, conducting discovery and initiating discussions with the utilities to clarify their filings and to narrow or resolve issues in dispute. This process continued until the day of hearing, by which time the Department and affected parties reached agreement on the last two disputed issues – Great Plains' allocation of scheduling penalties and curtailment revenues and Xcel's decision not to seek a variance to pass through certain fixed costs in its Predictable Price program.

The Department's final recommendation was to accept all gas utilities' filings as to form and to approve the annual automatic adjustment reports and true-up proposals, as revised and supplemented, of all companies but Aquila Networks – PNG and Aquila Networks – NMU. The Commission concurs with the Department. The Commission accepts all companies' filings and approves the automatic adjustment reports and true-up proposals, as revised and supplemented,² filed by all companies except the two Aquila companies. The approved reports demonstrate that the filing utilities are in compliance with the statutes, rules, and Commission Orders pertaining to purchased gas adjustments.

¹ *In the Matter of the Review of the 2000 Annual Automatic Adjustment of Charges for all Gas and Electric Utilities*, Docket No. G,E-999/AA-00-1027, Order Acting on Gas and Electric Utilities' 2000 Annual Automatic Adjustment Reports and Setting Further Requirements (December 18, 2001).

² In the interests of procedural clarity, late-filed revisions and supplements will be memorialized in the ordering paragraphs.

The Department recommended deferring action on the merits of the filings of Aquila Networks – PNG and Aquila Networks – NMU until the Commission has taken up a pending settlement agreement between the companies, the Department, and the Residential and Small Business Division of the Office of the Attorney General. That settlement resolves gas purchasing issues affecting not just this docket but three earlier ones.³ The Commission concurs with the Department and will defer action on the reports and true-up proposals of the two Aquila utilities until it acts on the pending settlement agreement.

B. Variance Granted

The Department challenged Xcel's failure to request a variance to include in its purchased gas adjustments certain fixed costs associated with its Predictable Price program. Xcel maintained that variances granted at the beginning of the program applied, making further variances unnecessary.

Both parties agreed that the costs were properly incurred and should be passed through the purchased gas adjustment. The Department's concern was that no cost be passed through the automatic adjustment unless explicitly authorized by statute, rule, or rule variance. Ultimately, the parties stipulated that Xcel would request a variance in lieu of litigating the issue and requesting a definitive Commission interpretation of the purchased gas adjustment rules.

The Commission grants the requested variance under Minn. Rules 7829.3200, based upon the following findings:

- (a) denying pass-through of the costs at issue would impose an excessive burden on Xcel by denying recovery of costs that were prudently incurred and essential to a pilot program approved by the Commission;
- (b) granting the variance will not adversely affect the public interest, but will advance the public interest by permitting proper recovery of properly incurred costs;
- (c) granting the variance does not conflict with any standards imposed by law.

IV. Future Automatic Adjustment Filings and Proceedings

In the past the Commission has required gas utilities to meet with their independent auditors to

³ *In the Matter of the Investigation into UtiliCorp's Gas Supply Services Department*, Docket No. G-007,011/CI-01-501; *In the Matter of the Review of the 2000 Annual Automatic Adjustment of Charges for all Gas and Electric Utilities*, Docket No. G,E-999/AA-00-1027; *In the Matter of the Review of the 2001 Annual Automatic Adjustment of Charges for All Gas and Electric Utilities*, Docket No. G, E-999/AA-01-838.

review the requirements of Minn. Rules 7825.2820 and proposed auditing procedures before the auditors begin their review of the companies' annual automatic adjustment reports and related matters. The Commission finds that these pre-audit meetings have been helpful and will continue to require them.

Similarly, in compliance with its responsibilities under the Data Practices Act⁴ and in accordance with its commitment to open processes, the Commission will again remind and require all gas utilities to supply specific justification for each item of information for which they claim trade secret status. Companies should take care to limit the designation "trade secret" to words, numbers, or phrases that qualify for protection under the Act and avoid marking related or surrounding material "trade secret."

Finally, the Commission appreciates the Department's thorough, comprehensive, and invaluable report on the annual automatic adjustment filings and asks the agency to continue providing the same kinds of information in next year's report, with one exception. The Department need not continue to report on the Kansas Ad Valorem Tax refunds unless new issues requiring Commission action arise.

V. Quarterly Summary Filings Discontinued

Under Minn. Rules 7825.2910, subp. 1, the Department files quarterly reports summarizing the monthly purchased gas adjustment filings made by the gas utilities. These reports were useful during the early years of purchased gas adjustments, when they helped ensure adequate regulatory oversight over the new processes and procedures utilities adopted as they made use of this new cost recovery tool.

At this point, however, these quarterly reports have become largely perfunctory, and it is appropriate to end the Department's obligation to submit them. The Commission will therefore vary the quarterly reporting rule under Minn. Rules 7829.3200, based upon the following findings:

- (a) continuing to require these reports would impose an excessive burden on the Department and the Commission by requiring the unnecessary expenditure of regulatory resources;
- (b) granting the variance will not adversely affect the public interest, but will advance the public interest by conserving regulatory resources;
- (c) granting the variance does not conflict with any standards imposed by law.

⁴ Minn. Stat. §§ 13.01 *et seq.*; see also the Commission's Revised Procedures for Handling Trade Secret and Privileged Data, September 1, 1999.

The Commission will so order.

ORDER

1. The Commission accepts the 2001-2002 annual automatic adjustment reports as filed, revised, and supplemented by the electric utilities as being in general compliance with Minn. Rules 7825.2390 through 7825.2920.
2. The Commission accepts the compliance filings submitted with the 2001-2002 annual automatic adjustment reports as filed, revised, and supplemented by the electric utilities as being in general compliance with Commission orders.
3. Interstate Power and Light Company – Electric Utility shall continue to refine its forecasting methods and shall include in next year’s annual report (for FY 2003) an analysis of whether a forecasted fuel clause adjustment with a true-up would be appropriate to implement at that time.
4. The Commission accepts the 2001-2002 annual adjustment reports as filed, revised, and supplemented by the gas utilities as being complete as to Minnesota Rules, parts 7825.2390 through 7825.2920.
5. All gas utilities shall meet with their independent auditors to review the requirements of Minn. Rules 7825.2820 and proposed auditing procedures before the auditors begin their work in preparation for the utilities’ next annual automatic adjustment reports.
6. All gas utilities shall provide a specific justification for each piece of information for which the designation of trade secret is claimed in their annual reports and true-up filings. Companies shall limit the designation “trade secret” to words, numbers, or phrases that are actually trade secret and shall not designate entire paragraphs or pages which contain the trade secret words, numbers, or phrases.
7. The Department of Commerce is asked to include the same information in its 2003 Report as was included in the 2002 Report, with the exception of the section on the Kansas Ad Valorem Tax refunds. Reporting on those refunds may be discontinued, unless new issues requiring Commission action arise.
8. The Commission disallows rate recovery of \$18,506 in punitive DDVC costs incurred by Great Plains Natural Gas Company (Great Plains). Great Plains shall include the disallowed amount in the true-up for the upcoming Annual Automatic Adjustment report due on September 1, 2003.
9. Great Plains shall credit the \$15,452.78 in curtailment revenues to the commodity cost of gas, shall include the curtailment revenues in the true-up for the upcoming Annual

Automatic Adjustment report due on September 1, 2003, and shall pay interest on \$15,452.78 in curtailment revenue from September 1, 2001 until September 1, 2003.

10. The Commission hereby accepts Great Plains' proposed true-ups in Docket Nos. G-004/AA-02-1465, G-004/AA-02-1466, and G-004/AA-02-1467 and authorizes Great Plains to implement those true-ups, subject to the treatment of DDVC costs and curtailment revenues set forth in ordering paragraphs 8 and 9.
11. The Commission hereby accepts the true-ups proposed by Interstate Power and Light Company – Gas Utility (Interstate) and authorizes Interstate to implement them, as set forth in Department of Commerce Attachment G6 of the Department's report.
12. The Commission hereby finds that both Aquila Networks – PNG and Aquila Networks – NMU have complied with the reporting requirements of Docket No. G-007,011/A1-01-1573.
13. The Commission defers action on the true-ups proposed by Aquila Networks – PNG and Aquila Networks – NMU in Docket Nos. G-011/AA-02-1448, G-011/AA-02-1449, G-011/AA-02-1450, and G-007/AA-02--1447 until the Commission has taken up a pending settlement agreement involving these and other dockets.
14. The Commission hereby accepts the true-ups proposed by CenterPoint Energy Minnegasco in Docket No. G-008/AA-02-1453 for the company's Northern service area and Docket No. G-008/AA-02-1452 for its Viking service area.
15. The Commission hereby accepts the true-ups proposed by Xcel Energy – Gas Utility (Xcel), as revised on January 10, 2003 in Docket No. G-002/AA-02-1470. Xcel shall adjust the true-up balances carried forward to the 2002-2003 true-up accordingly.
16. The Commission hereby varies Minn. Rules 7825.2400 and 7825.2500 to permit Xcel to pass through its purchased gas adjustment certain fixed costs associated with its Predictable Price program.
17. The Commission hereby varies Minn. Rules, part 7825.2910, subpart 1 to allow the Department of Commerce to discontinue submitting quarterly summaries of the monthly purchased gas adjustment reports and to allow the Commission to discontinue its periodic review of these summaries.
18. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

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